

RD AN No. 3753 (1924-F)  
May 1, 2002

TO: State Directors, Rural Development Managers,  
and Community Development Managers

FROM: Arthur A. Garcia *(Signed by Arthur A. Garcia)*  
Administrator  
Rural Housing Service

SUBJECT: Authorization of Claims Under the Section 509  
“Complaints and Compensation for Construction Defects”

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) continues the requirement for National Office authorization before obligating funds for Compensation for Construction Defects. Other provisions of RD Instruction 1924-F are not affected.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces RD AN No. 3637, dated April 12, 2001, which expires on April 30, 2002.

**IMPLEMENTATION RESPONSIBILITIES:**

Funds are available and applications may be processed for Compensation for Construction Defects provided prior National Office authorization is obtained. The State Director may fax requests to the National Office, (202) 690-3555, Attention: Kaye Deener. There is no reason to follow up in writing or to send originals. The following information must be submitted:

EXPIRATION DATE: April 30, 2003

FILING INSTRUCTIONS:  
Preceding RD  
Instruction 1924-F

1. Case file
2. Name of applicant(s),
3. Case Number,
4. Social Security Number,
5. Amount requested for compensation for construction defects claim with bids or documentation to support amount of request,
6. Detailed description of defect(s) and proposed corrective action(s), and
7. Copy of completed Form RD 1924-4. Each section must be completed.

Claims that involve prior “developmental planning” problems with a subdivision should be supplemented with a State Architect’s or State Engineer’s report. If more than one property is involved, all claims should be submitted at the same time.

In some cases, partial funding may be authorized for emergency situations that concern the safety of the borrower(s) or when the Government’s interest may be impaired if repairs are delayed. We recommend that the State Office communicate with the Single Family Housing Direct Loan Division (SFHDLD) prior to submitting questionable or emergency cases.

In such cases, additional information is required. A detailed report should be submitted stating the present condition, how the Government and/or the borrower(s) will be impaired if the repairs are not initiated immediately, an itemization of the proposed repair, an estimate of the total cost, feasibility of the repairs, and any other relevant information.

Claims will be authorized in writing by the National Office with a copy to the Finance Office. After receipt of the authorization from the National Office, claims may be approved and submitted to the Finance Office: Chief, Fiscal Control Branch, Attention: 360.

For questions pertaining to this AN, contact Kaye Deener in SFHDLD at (202) 690-3832.